



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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Comments of the San Francisco Public Utilities Commission (SFPUC) on the California Air Resources Board's (ARB) Proposed Renewable Electricity Standard Concept Outline

The SFPUC is the provider of retail electric energy services for all of San Francisco's municipal government functions including all city buildings, school and community college facilities, the San Francisco International Airport, and the MUNI electric bus and light-rail services.

The SFPUC strongly supports California's efforts to reduce greenhouse gas (GHG) emissions. San Francisco itself has already adopted its own goal of reducing GHG emissions 20% below 1990 levels by 2012.¹

Substantially all of the SFPUC's electric power comes from San Francisco's Hetch Hetchy Water and Power (HHWP) system, an energy resource classified by the ARB as GHG-free. The SFPUC has one of the lowest GHG emissions per megawatt hour among California's publicly-owned utilities proposed for regulation by the ARB.

Our utilization of Hetch Hetchy generation raises the concern, expressed in the October 30th RES Workshop², that the ARB's proposed regulations would require the SFPUC to displace its low-cost GHG-neutral Hetch Hetchy generation and replace it with much higher-cost "RPS eligible" resources. This would result in no net improvement in GHG reductions, and potentially could increase net GHG emissions, while imposing significant costs upon the public agency ratepayers of the SFPUC.

¹ Board of Supervisors Resolution 158-02.

² As was asked at the workshop: "In the case of publicly owned electric utilities that are more than 2/3 resourced with large hydroelectric power such as San Francisco and Trinity, will the ARB's renewable electricity standard require these utilities to unload greenhouse gas neutral hydropower and acquire eligible renewable resources? If yes, where will the ARB get authority to make such a requirement given that there are no greenhouse gas emissions associated with the continued operation of existing large hydropower generation and no fossil fueled generation to displace in these utilities' energy resource portfolios?"

The answer from the ARB was, "No. We will not do things that don't make any sense."

The California Municipal Utilities Association (CMUA) has expressed similar concerns in its comments.

We are greatly encouraged that the Air Resources Board recognizes this problem and are pleased to work with ARB staff to craft an appropriate solution.

One approach to address this problem, incorporated into the final version of SB14³, is to ensure that the SFPUC would not have to acquire additional RPS resources if doing so would result in the displacement of generation associated with its Hetch Hetchy generation. For the SFPUC, this would require that the SFPUC use RPS eligible resources for all of its needs not met from Hetch Hetchy, including occasional annual shortfalls in generation due to climatic conditions and future load growth.

Adoption of a similar approach in the ARB's proposed regulations is entirely consistent with the policy goals of AB32 as outlined in the Concept Paper. The SFPUC's proposal meets these criteria in the following ways.

- Equitable: It would be unfair to treat the SFPUC's public agency ratepayers, with an exceedingly low GHG-profile the same as other utilities that have relied exclusively on fossil-fuels to meet their needs.
- Cost-Effective: As a GHG-reduction goal, replacing one GHG-neutral source of generation with another is not cost-effective. The City and County of San Francisco has a variety of more effective climate change prevention initiatives that should get our public funds.
- Rewards Early Action to Reduce GHG emissions: The SFPUC should not be penalized for having had in place for over 80 years a GHG-neutral electric system that supports an extensive electric public transit infrastructure; and
- Not Disproportionately Impact Low-Income Communities: Any increased costs from purchasing RPS resources would likely be passed through to our City department ratepayers, such as San Francisco General Hospital, public schools, and MUNI transit that provide necessary public services. The resulting public service reductions would themselves have GHG impacts.

Going forward, we are confident that we can work together to craft a solution that addresses SFPUC's concerns and will work with CARB staff to craft appropriate language.

³ Proposed Public Utilities Code Section 390.30(j) in SB14 (Simitian, 2009). "A local publicly owned electric utility in a city and county that only receives greater than 67 percent of its electricity sources from hydroelectric generation located within the state that it owns and operates, and that does not meet the definition of a "renewable electrical generation facility" pursuant to Section 25741 of the Public Resources Code, shall be required to procure eligible renewable energy resources, including renewable energy credits, to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year, in order to satisfy its renewable energy procurement requirements."

Please feel free to contact us at (415) 554-0706 or (415) 554-1526 respectively.

Sincerely,

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